

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name BLUE LAKE TOWNSHIP	County MUSKEGON
Fiscal Year End MARCH 31, 2006	Opinion Date OCTOBER 9, 2006	Date Audit Report Submitted to State NOVEMBER 30, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

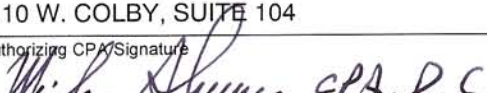
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	NOT REQUIRED. NO COMMENTS OR RECOMMENDATIONS	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) M. L. SHREVE CPA, P.C.		Telephone Number 231 894-2470	
Street Address 110 W. COLBY, SUITE 104		City WHITEHALL	State MI
		Zip 49461	
Authorizing CPA Signature 		Printed Name M. L. SHREVE CPA, P.C.	License Number 1101012102

Blue Lake Township
Financial Statements
Including Independent Auditor's Report
March 31, 2006

Blue Lake Township
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March 31, 2006

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(231) 894 - 2470

Independent Auditor's Report

To the Township Board
Blue Lake Township
Muskegon County
Twin Lake, Michigan 49457

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Blue Lake Township, County of Muskegon, State of Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Blue Lake Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Blue Lake Township, County of Muskegon, State of Michigan as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by U. S generally accepted accounting principles. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Blue Lake Township's basic financial statements. The combining and individual fund statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

M. L. Shreve CPA, P.C.

M. L. Shreve CPA, P.C.
Whitehall, Michigan
October 9, 2006

Management Discussion and Analysis

Blue Lake Township
Management's Discussion and Analysis
For the year ended March 31, 2006

As the management of Blue Lake Township, we offer readers of Blue Lake Township's financial statements this narrative overview and analysis of the financial activities of Blue Lake Township for the fiscal year ended March 31, 2006.

The Financial Highlights

When revenues exceed expenses, the result is an increase in net assets. When expenses exceed revenues, the result is a decrease in net assets. You can think of this relationship between revenues and expenses as the Township's operating results. You can think of the Township's net assets, as measured in the Statement of Net Assets, as one way to measure the Township's financial health, or financial position. Over time, increases or decreases in the Township's net assets, as measured in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. However, the Township's goal is to provide services that improve the quality of life for our residents, not to generate profits as businesses do. For this reason, you will need to consider many other non-financial factors in assessing the overall financial health of our Township.

- The assets of Blue Lake Township exceeded its liabilities as of March 31, 2006 by \$ 1,148,579.88 (*net assets*). Of this amount, \$ 250,850.03 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors. Total net assets includes all infrastructure of the governmental funds.
- Blue Lake Township's total net assets increased by \$ 46,418.76 for the fiscal year ended March 31, 2006.
- As of March 31, 2006, Blue Lake Township's governmental funds reported combined ending fund balances of \$ 687,623.73, an increase of \$97,378.46 in comparison with the prior year.

Blue Lake Township
Management's Discussion and Analysis
For the year ended March 31, 2006

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Blue Lake Township's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of Blue Lake Township's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of Blue Lake Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as an indicator of whether the financial position of Blue Lake Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e., uncollected taxes, etc.)

Both of the government-wide financial statements distinguish functions of Blue Lake Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Blue Lake Township include: Legislative, General Government, Public Safety, Public Works, Health and Welfare, and Other. The Blue Lake Township does not perform business-type activities.

The government-wide financial statements can be found on pages 15 - 20 of this report.

Blue Lake Township
Management's Discussion and Analysis
For the year ended March 31, 2006

Overview of the Financial Statements (continued)

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been targeted for specific activities or objectives. Blue Lake Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Blue Lake Township are categorized as governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Blue Lake Township maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Equipment Fund, and the Fire Operations Fund (major funds). Data from the other governmental funds (nonmajor) is presented in a single, aggregated presentation. Individual fund data for these nonmajor governmental funds is provided in the form of *combining statements* later in this report.

Blue Lake Township
Management's Discussion and Analysis
For the year ended March 31, 2006

Overview of the Financial Statements (continued)

Fund financial statements

Governmental Funds

The basic governmental fund financial statements can be found on pages 15 - 28 of this report. Blue Lake Township adopts an annual appropriated budget for all governmental funds. A budgetary comparison schedule has been provided for the general fund, as well as each major special revenue fund, to demonstrate compliance with the respective fund's budget. The budget amounts include both the original budget amounts as well as a final budget which includes amendments made to the budget during the fiscal year. Actual amounts are compared to the final budget amounts.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30 - 44 of this report.

Combining Statements

The combining statements referred to earlier in connection with nonmajor governmental funds are presented for additional supplementary analysis. The combining statements can be found on pages 45 - 46 of this report.

Blue Lake Township
Management's Discussion and Analysis
For the year ended March 31, 2006

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Blue Lake Township, assets exceeded liabilities by \$ 1,148,579.88 as of March 31, 2006.

Infrastructure assets of the governmental activities are included within this report. The general capital assets (e.g., land, buildings, infrastructure, equipment) of the governmental activities of Blue Lake Township is stated in the amount of \$ 705,284.38. This amount represents 53.62% of the net assets of Blue Lake Township as of March 31, 2006.

Blue Lake Township uses these capital assets to provide services to its residents and other citizens, consequently, these assets are not available for future spending.

Capital assets purchased during the fiscal year ended March 31, 2006 amounted to \$ 32,452.87, thereby increasing assets being depreciated from \$ 1,195,736.09 to \$ 1,228,188.96.

Depreciation expense for the fiscal year ended March 31, 2006 is in the amount of \$ 83,412.57, thereby increasing accumulated depreciation from \$ 439,492.01 to \$ 522,904.58.

The overall effect on capital assets, net of depreciation, therefore was a decrease in the amount of \$ 50,959.70.

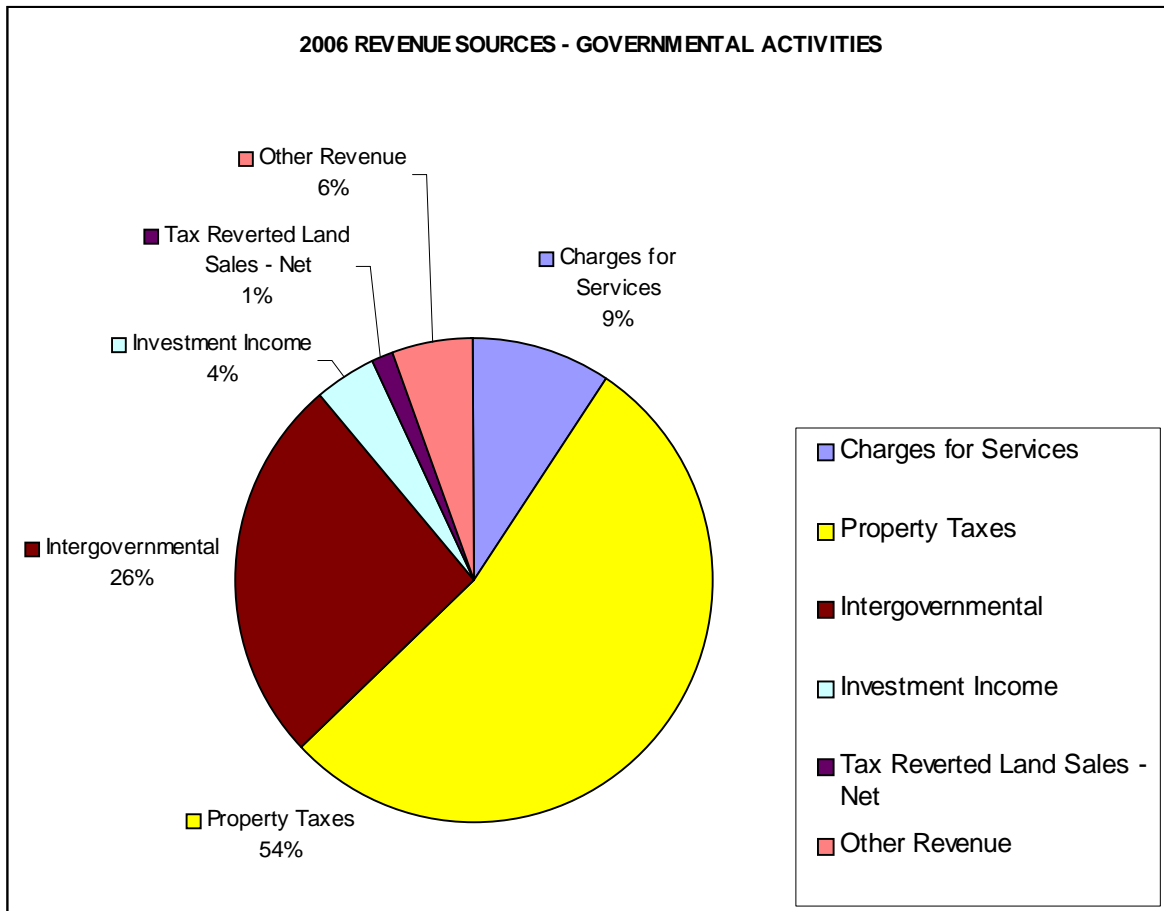
Blue Lake Township
Management's Discussion and Analysis
For the year ended March 31, 2006

Government-Wide Financial Analysis (continued)

Governmental activities

Governmental activities increased Blue Lake Township's net assets by the amount of \$ 46,418.76.

As identified in *Statement of Activities* (on page 14 of this report), and the chart below, Blue Lake Township's revenue sources - governmental activities show that property taxes is 54% of the Township's revenue, state revenue sharing (intergovernmental) is 26% of revenue, and the remaining 20% is divided among other sources, such as charges for services, rental of facilities, licenses, permits and fees, and earnings on investments.

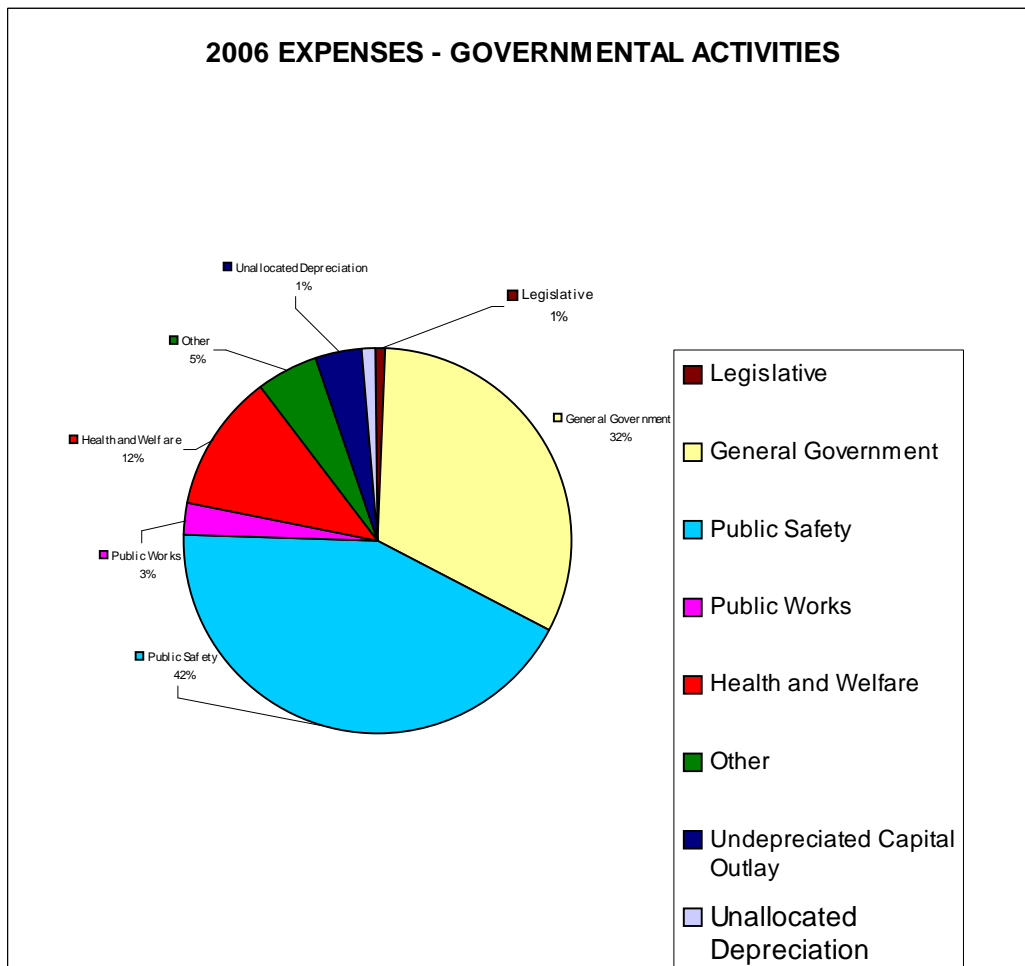


Blue Lake Township
Management's Discussion and Analysis
For the year ended March 31, 2006

Government-Wide Financial Analysis (continued)

Governmental activities (continued)

As identified in the *Statement of Activities* (on page 14 of this report) and in the chart below, Blue Lake Township Expenses - Governmental Activities is presented for the year ended March 31, 2006. Total expenses amounted to \$ 493,846.50, before application of program revenues. The chart below shows the percentages of total expenses as follows: Legislative is 1%, General Government 32%, Public Safety 42%, Public Works 3%, Health and Welfare 12%, Other 5%, Undepreciated Capital Outlay 4%, and Unallocated Depreciation 1 %.



Blue Lake Township
Management's Discussion and Analysis
For the year ended March 31, 2006

Government-Wide Financial Analysis (continued)

Governmental activities (continued)

The net effect of program revenues reduces significantly the cost of operating governmental activities. These program revenues are charges for services in the amount of \$ 50,384.60.

Budgetary Highlights

Differences between the original and final amended budget of the General Fund's revenues is briefly summarized as follows:

<u>Description</u>	<u>Original Budget</u>	<u>Increase</u>	<u>Decrease</u>	<u>Final Budget</u>
General Fund				
Revenues				
Taxes	\$ 57,711.00	\$ 141.00	\$ -	\$ 57,852.00
Payments in Lieu of Taxes	600.00		72.00	528.00
Revenue Sharing	140,219.00		2,931.00	137,288.00
Tax Penalties	-	2,042.00		2,042.00
Licenses and Permits	68,225.00		19,198.00	49,027.00
Interest Income	4,000.00	8,000.00		12,000.00
Other Income	500.00	75.00		575.00
	<u>271,255.00</u>	<u>10,258.00</u>	<u>22,201.00</u>	<u>259,312.00</u>

The net effect of amendments to the General Fund revenues is a budget reduction in the amount of \$ 11,943.00

Blue Lake Township
Management's Discussion and Analysis
For the year ended March 31, 2006

Government-Wide Financial Analysis (continued)

Governmental activities (continued)

Budgetary Highlights

Differences between the original and final amended budget of the General Fund's expenses is briefly summarized as follows:

Description	Original Budget	Increase	Decrease	Final Budget
Expenses				
Legislative:				
Trustee Salaries	4,608.00		808.00	3,800.00
	4,608.00	-	808.00	3,800.00
General Government:				
Deputy Clerk	2,300.00	895.00		3,195.00
Elections	2,000.00		1,450.00	550.00
Travel	5,100.00	100.00		5,200.00
Audit Expense	6,000.00		300.00	5,700.00
Insurance	14,000.00	500.00		14,500.00
Education	11,000.00		3,000.00	8,000.00
Computer Service	4,000.00	2,200.00		6,200.00
Parking Lot Maintenance	1,000.00		1,000.00	-
Building Maintenance	5,000.00		3,500.00	1,500.00
Police Equipment Maintenance	500.00	250.00		750.00
Vehicle Maintenance	1,350.00		850.00	500.00
Radio Repairs	500.00		500.00	-
Equipment Maintenance	1,500.00		500.00	1,000.00
Supplies Expense	8,000.00		2,000.00	6,000.00
Internet Service	1,200.00		1,200.00	-
	63,450.00	3,945.00	14,300.00	53,095.00
Public Safety:				
Ordinance Enforcement Travel	1,500.00		700.00	800.00
	1,500.00	-	700.00	800.00
Public Works:				
Dust Control	5,000.00	5,900.00		10,900.00
Dangerous Buildings	7,000.00		7,000.00	-
Street Signs	400.00	50.00		450.00
	12,400.00	5,950.00	7,000.00	11,350.00

Blue Lake Township
Management's Discussion and Analysis
For the year ended March 31, 2006

Government-Wide Financial Analysis (continued)

Governmental activities (continued)

Budgetary Highlights

Description	Original Budget	Increase	Decrease	Final Budget
Health and Welfare:				
Building Inspector Salary	32,000.00		11,100.00	20,900.00
Building Inspector Travel	2,500.00		500.00	2,000.00
Contract Inspectors	17,150.00		5,150.00	12,000.00
Inspectors Travel	800.00	400.00		1,200.00
	<u>52,450.00</u>	<u>400.00</u>	<u>16,750.00</u>	<u>36,100.00</u>
Other:				
Budget Meetings	512.00		512.00	-
Mapping Project	3,000.00		3,000.00	-
Employee Appreciation	200.00		200.00	-
Association Dues	2,500.00	1,300.00		3,800.00
Pride Week	3,500.00	3,600.00		7,100.00
Special Studies	9,500.00	6,700.00		16,200.00
Other Expenses	200.00	100.00		300.00
	<u>19,412.00</u>	<u>11,700.00</u>	<u>3,712.00</u>	<u>27,400.00</u>
Capital Outlay:				
Capital Outlay	2,000.00	19,500.00		21,500.00
	<u>2,000.00</u>	<u>19,500.00</u>	<u>-</u>	<u>21,500.00</u>
	<u>\$155,820.00</u>	<u>\$41,495.00</u>	<u>\$ 43,270.00</u>	<u>\$154,045.00</u>

The net effect of the amendments to the General Fund's expenses is a budget reduction in the amount of \$ 1,775.00

Blue Lake Township
Management's Discussion and Analysis
For the year ended March 31, 2006

Government-Wide Financial Analysis (continued)

Governmental activities (continued)

Budgetary Highlights

The Fire Equipment Fund's budgeted revenues were amended by an increase in the amount of \$ \$ 4,954.00

The Fire Equipment Fund's original budget for capital outlay expenditures, in the amount of \$ 10,000.00, was increased by the amount of \$ 20,000.00, and other financing sources and uses was amended from \$ 500.00 to 1,990.00 for tax reverted land sales.

The Fire Operations Fund's original budget for revenues was amended by a decrease in the amount of \$ 1,000.00. Expenditures, in the amount of \$ 118,919.00 , was decreased by the amount of \$ 5,709.00, as detailed below, to the final budget amount of \$ 113,210.00.

<u>Description</u>	<u>Original Budget</u>	<u>Increase</u>	<u>Decrease</u>	<u>Final Budget</u>
Fire Operations Fund				
Expenditures:				
Fire Peoples Salaries	\$ 46,000.00	\$ -	\$ 6,000.00	\$ 40,000.00
Payroll Taxes	3,519.00		459.00	3,060.00
Fire People Travel	2,000.00	500.00	-	2,500.00
Supplies	4,000.00		1,000.00	3,000.00
Insurance	22,000.00		1,500.00	20,500.00
Association Dues	350.00		150.00	200.00
Education	4,000.00	2,500.00		6,500.00
Communications	6,000.00	800.00		6,800.00
Fire Preventionj	-	600.00		600.00
Electricity	2,500.00	100.00		2,600.00
Building Maintenance	2,000.00		1,200.00	800.00
Radio Maintenance	1,500.00	200.00		1,700.00
Truck Fuel	3,500.00	300.00		3,800.00
Health Care	1,000.00	500.00		1,500.00
Other Expenses	500.00		350.00	150.00
Fund Raising Expense	600.00		550.00	50.00
	<u>\$ 99,469.00</u>	<u>\$ 5,500.00</u>	<u>\$ 11,209.00</u>	<u>\$ 93,760.00</u>

Blue Lake Township
Management's Discussion and Analysis
For the year ended March 31, 2006

Government-Wide Financial Analysis (continued)

Governmental activities (continued)

Capital Assets

Blue Lake Township's investment in capital assets for its governmental activities as of March 31, 2006, amounts to \$ 705,284.38, net of accumulated depreciation. This investment in capital assets includes land, buildings, building improvements, equipment, vehicles, and infrastructure. Additional information on the capital assets can be found in Note V, page 41, in the Notes to Financial Statements.

Requests For Information

This financial report is designed to provide a general overview of Blue Lake Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Blue Lake Township, attention: Clerk
1491 Owasippe Road
Twin Lake, Michigan, 49457

Basic Financial Statements

Blue Lake Township
Statement of Net Assets
March 31, 2006

	Governmental Funds	Business-Type Activities	Total
Assets			
Current Assets			
Cash	\$ 432,955.53		\$ 432,955.53
Accounts Receivable	27,461.10		27,461.10
Taxes Receivable	33,268.99		33,268.99
Grants Receivable	5,800.00		5,800.00
Special Assessments Receivable	7,550.82		7,550.82
Land Contracts Receivable	72,076.37		72,076.37
Escrow Deposits	10,870.27		10,870.27
Prepaid Expenses	20,176.00		20,176.00
Total Current Assets	610,159.08	-	610,159.08
Non Current Assets			
Depreciable Capital Assets - Net of Accumulated Depreciation	705,284.38		705,284.38
Total Non Current Assets	705,284.38	-	705,284.38
Total Assets	\$ 1,315,443.46	\$ -	\$ 1,315,443.46
Liabilities			
Current Liabilities			
Accounts Payable	\$ 20,678.99		\$ 20,678.99
Due To Other Governments	27,032.01		27,032.01
Deferred Revenue	116,228.22		116,228.22
Accrued Expenses	2,924.36		2,924.36
Total Current Liabilities	166,863.58	-	166,863.58
Long Term Liabilities			
Non Current Portion - Long Term Liabilities	-	-	-
Total Liabilities	166,863.58	-	166,863.58
Net Assets			
Invested in Capital Assets, Net of Related Debt	705,284.38		705,284.38
Restricted For:			
Special Revenue Funds	192,445.47		192,445.47
Unrestricted	250,850.03		250,850.03
Total Net Assets	\$ 1,148,579.88	\$ -	\$ 1,148,579.88

See accompanying notes to the financial statements.

Blue Lake Township
Statement of Activities
For the Fiscal Year Ended March 31, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges For	Operating	Capital	Government	Business	Total
	Expenses	Services	Grants	Type Activities	Type Activities	
Governmental Activities						
Legislative	\$ 4,224.00	\$ -		\$ (4,224.00)	\$	\$ (4,224.00)
General Government	157,477.06	847.60		(156,629.46)		(156,629.46)
Public Safety	209,887.26			(209,887.26)		(209,887.26)
Public Works	13,873.92	2,400.00		(11,473.92)		(11,473.92)
Health and Welfare	56,964.23	46,897.00		(10,067.23)		(10,067.23)
Other	27,003.39	240.00		(26,763.39)		(26,763.39)
Undepreciated Capital Outlay	19,572.57			(19,572.57)		(19,572.57)
Unallocated Depreciation	4,844.07			(4,844.07)		(4,844.07)
Total	\$ 493,846.50	\$ 50,384.60		(443,461.90)		(443,461.90)
General Purpose Revenues:						
Property Taxes				\$ 288,823.82	\$	\$ 288,823.82
Payments In Lieu of Taxes				2,345.85		2,345.85
Tax Penalties				2,426.36		2,426.36
Intergovernmental				140,663.96		140,663.96
Special Assessments				2,350.73		2,350.73
Investment Earnings				22,823.27		22,823.27
Miscellaneous				23,151.58		23,151.58
Tax Reverted Land Sales - Net of Costs				7,295.09		7,295.09
Total General Purpose Revenues				489,880.66		489,880.66
Excess (Deficiency) of Revenues Over Expenses				46,418.76		46,418.76
Net Assets - Beginning of Year				1,102,161.12		1,102,161.12
Net Assets - End of Year				\$ 1,148,579.88		\$ 1,148,579.88

See accompanying notes to the financial statements.

Blue Lake Township
Balance Sheet
Governmental Funds
March 31, 2006

	General Fund	Fire Equipment Fund	Fire Operations Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 384,737.37	\$ 55,789.35	\$ (29,025.46)	\$ 21,454.27	\$ 432,955.53
Accounts Receivable	27,461.10				27,461.10
Taxes Receivable	6,663.12	10,269.42	13,693.49	2,642.96	33,268.99
Grants Receivable	5,800.00				5,800.00
Assessments Receivable				7,550.82	7,550.82
Land Contracts Receivable	72,076.37				72,076.37
Due From Other Funds	67,816.75	89,397.56	117,608.54	22,487.66	297,310.51
Escrow Deposits	10,870.27				10,870.27
Prepaid Expenses	8,279.00		11,897.00		20,176.00
Total Assets	\$ 583,703.98	\$ 155,456.33	\$ 114,173.57	\$ 54,135.71	\$ 907,469.59
Liabilities					
Accounts Payable	\$ 11,344.04	\$ 4,177.64	\$ 5,148.23	\$ 9.08	\$ 20,678.99
Due To Other Governments	27,032.01				27,032.01
Due To Other Funds	4,711.60		7,568.24	6,842.29	19,122.13
Deferred Revenue	42,513.71	10,770.78	74,863.04	21,940.84	150,088.37
Accrued Expenses	2,924.36				2,924.36
Total Liabilities	88,525.72	14,948.42	87,579.51	28,792.21	219,845.86
Fund Balances					
Unreserved:					
Undesignated, Reported In:					
General Fund	495,178.26				495,178.26
Special Revenue Funds		140,507.91	26,594.06	25,343.50	192,445.47
Total Fund Balances	495,178.26	140,507.91	26,594.06	25,343.50	687,623.73
Total Liabilities and Fund Balances	\$ 583,703.98	\$ 155,456.33	\$ 114,173.57	\$ 54,135.71	\$ 907,469.59

See accompanying notes to the financial statements.

Blue Lake Township
*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
March 31, 2006*

Total Governmental Fund Balances	\$ 687,623.73
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***Amounts reported for governmental activities in the statement of
net assets are different because***

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	705,284.38
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Due To and From Other Funds are not Included in Statement of Net Assets and therefore require an adjustment to reconcile	(278,188.38)
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Deferred Revenue not included in Statement of Net Assets	33,860.15
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Net Assets of Governmental Activities	<u><u>\$ 1,148,579.88</u></u>
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Blue Lake Township

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For The Fiscal Year Ended March 31, 2006

	General Fund	Fire Equipment Fund	Fire Operations Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 64,625.30	\$ 86,558.38	\$ 115,416.57	\$ 22,223.57	\$ 288,823.82
Payments in Lieu of Taxes	521.30	781.95	1,042.60		2,345.85
Licenses, Permits and Fees	47,984.60		2,400.00		50,384.60
Tax Penalties	2,426.36				2,426.36
Special Assessments				2,350.73	2,350.73
Earnings on Investments	16,126.99	4,708.44	1,084.11	903.73	22,823.27
Miscellaneous Revenue	10,807.47	8,500.01	3,169.45	674.65	23,151.58
Intergovernmental	137,288.00			3,375.96	140,663.96
Total Revenues	279,780.02	100,548.78	123,112.73	29,528.64	532,970.17
Expenditures					
Legislative	4,224.00				4,224.00
General Government	149,716.17				149,716.17
Public Safety	25,382.82		113,183.17	513.66	139,079.65
Public Works	11,197.87			2,676.05	13,873.92
Health and Welfare	39,538.63			17,425.60	56,964.23
Other	27,003.39				27,003.39
Capital Outlay	17,635.16	34,390.28			52,025.44
	274,698.04	34,390.28	113,183.17	20,615.31	442,886.80
Excess Revenue Over (Under)					
Expenditures	5,081.98	66,158.50	9,929.56	8,913.33	90,083.37
Other Financing Sources (Uses)					
Tax Reverted Land Sales	68,186.87	3,282.77	2,407.39		73,877.03
Tax Reverted Land Sales Expense	(66,581.94)				(66,581.94)
Transfers In/(Out)	(600.00)			600.00	-
	1,004.93	3,282.77	2,407.39	600.00	7,295.09
Net Change in Fund Balances	6,086.91	69,441.27	12,336.95	9,513.33	97,378.46
Fund Balances - March 31, 2005	489,091.35	71,066.64	14,257.11	15,830.17	590,245.27
Fund Balances - March 31, 2006	\$ 495,178.26	\$ 140,507.91	\$ 26,594.06	\$ 25,343.50	\$ 687,623.73

See accompanying notes to the financial statements.

Blue Lake Township
*Reconciliation of the Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended March 31, 2006*

Net Change in Fund Balances - Total Governmental Funds	\$ 97,378.46
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Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Asset Additions	32,452.87	
Current Year Depreciation	<u>\$ (83,412.57)</u>	
Total		(50,959.70)

Change in Net Assets of Governmental Activities	<u><u>\$ 46,418.76</u></u>
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Blue Lake Township
Statement of Revenues, Expenditures, and Changes in Fund Balance
Actual and Budget - General Fund
For The Year Ended March 31, 2006

	Budget			Favorable (Unfavorable) Variance
	Original	Final	Actual	
Revenues				
Taxes	\$ 57,711.00	\$ 57,852.00	\$ 64,625.30	\$ 6,773.30
Payments in Lieu of Taxes	600.00	528.00	521.30	(6.70)
Revenue Sharing	140,219.00	137,288.00	137,288.00	-
Tax Penalties	-	2,042.00	2,426.36	384.36
Licenses, Permits and Fees				
Building Permits	40,000.00	26,400.00	26,659.00	259.00
Cable Franchise Fees	425.00	427.00	847.60	420.60
Ordinance Violation Fees	200.00	-	-	-
Zoning Permit Fees	6,000.00	7,000.00	6,700.00	(300.00)
Land Split Fees	400.00	200.00	240.00	40.00
Electric Permits	7,000.00	4,000.00	4,408.00	408.00
Mechanical Permits	7,000.00	6,000.00	5,542.00	(458.00)
Plumbing Permits	7,000.00	5,000.00	3,588.00	(1,412.00)
	266,555.00	246,737.00	252,845.56	6,108.56
Interest Income	4,000.00	12,000.00	16,126.99	4,126.99
Other Income	500.00	575.00	10,807.47	10,232.47
Total Revenues	271,055.00	259,312.00	279,780.02	20,468.02

See accompanying notes to the financial statements.

Blue Lake Township
Statement of Revenues, Expenditures, and Changes in Fund Balance
Actual and Budget - General Fund
For The Year Ended March 31, 2006

	Budget		Actual	Favorable (Unfavorable) Variance
	Original	Final		
Expenditures				
Legislative:				
Township Board				
Trustee Salaries	\$ 4,608.00	\$ 3,800.00	\$ 4,224.00	\$ (424.00)
Total Legislative	4,608.00	3,800.00	4,224.00	(424.00)
General Government:				
Supervisor Salary	17,976.00	17,976.00	17,976.00	-
Clerk Salary	16,032.00	16,032.00	16,032.00	-
Deputy Clerk	2,300.00	3,195.00	3,195.00	-
Treasurer Salary	22,032.00	22,032.00	22,032.00	-
Deputy Treasurer Salary	500.00	500.00	555.75	(55.75)
Elections	2,000.00	550.00	535.50	14.50
Board of Review	1,800.00	1,800.00	500.00	1,300.00
Payroll Taxes	10,860.00	10,860.00	9,904.04	955.96
Travel				
Supervisor Travel	3,600.00	3,000.00	2,977.20	22.80
Clerk Travel	500.00	1,200.00	1,231.80	(31.80)
Treasurer Travel	1,000.00	1,000.00	898.80	101.20
Legal Expense	30,000.00	30,000.00	17,388.89	12,611.11
Audit Expense	6,000.00	5,700.00	5,700.00	-
Insurance	14,000.00	14,500.00	14,542.93	(42.93)
Education	11,000.00	8,000.00	7,187.26	812.74
Computer Service	4,000.00	6,200.00	6,148.95	51.05
Utilities				
Janitor Services	1,000.00	1,000.00	996.00	4.00
Snow Removal	1,000.00	1,000.00	420.00	580.00
Heat	3,500.00	3,500.00	3,383.39	116.61
Electricity	1,400.00	1,400.00	1,519.97	(119.97)

See accompanying notes to the financial statements.

Blue Lake Township
Statement of Revenues, Expenditures, and Changes in Fund Balance
Actual and Budget - General Fund
For The Year Ended March 31, 2006

	Budget			Favorable (Unfavorable) Variance
	Original	Final	Actual	
Repairs and Maintenance				
Parking Lot Maintenance	\$ 1,000.00	\$ -	\$ -	\$ -
Building Maintenance	5,000.00	1,500.00	712.32	787.68
Police Equipment Maintenance	500.00	750.00	-	750.00
Vehicle Maintenance	1,350.00	500.00	-	500.00
Radio Repairs	500.00	-	-	-
Equipment Maintenance	1,500.00	1,000.00	762.17	237.83
Supplies and Postage				
Postage	5,000.00	5,000.00	3,653.27	1,346.73
Supplies Expense	8,000.00	6,000.00	5,695.42	304.58
Communications and Publishing				
Publishing	3,500.00	3,500.00	3,622.04	(122.04)
Communications	3,000.00	3,000.00	2,145.47	854.53
Internet Service	1,200.00	-	-	-
Total General Government	181,050.00	170,695.00	149,716.17	20,978.83
Public Safety:				
Police Salary	8,400.00	8,400.00	8,400.00	-
Planning Commission Salaries	15,000.00	15,000.00	13,462.00	1,538.00
Planning Commission Expense	600.00	600.00	358.82	241.18
Ordinance Enforcement Salary	4,800.00	4,800.00	2,600.00	2,200.00
Ordinance Enforcement Travel	1,500.00	800.00	562.00	238.00
Total Public Safety	30,300.00	29,600.00	25,382.82	4,217.18

See accompanying notes to the financial statements.

Blue Lake Township
Statement of Revenues, Expenditures, and Changes in Fund Balance
Actual and Budget - General Fund
For The Year Ended March 31, 2006

	Budget			Favorable (Unfavorable) Variance
	Original	Final	Actual	
Public Works:				
Dust Control	\$ 5,000.00	\$ 10,900.00	\$ 10,871.89	\$ 28.11
Dangerous Buildings	7,000.00	-	-	-
Street Signs	400.00	450.00	325.98	124.02
Total Public Works	12,400.00	11,350.00	11,197.87	152.13
Health and Welfare:				
Building Inspection Salary	32,000.00	20,900.00	21,047.20	(147.20)
Building Inspector Travel	2,500.00	2,000.00	1,899.20	100.80
Zoning Administrator Salary	4,800.00	4,800.00	4,800.00	-
Zoning Administrator Travel	400.00	400.00	591.20	(191.20)
Contract Inspectors				-
Electrical Inspector	5,600.00	3,200.00	3,526.60	(326.60)
Mechanical Inspector	5,950.00	4,800.00	1,219.55	3,580.45
Plumbing Inspector	5,600.00	4,000.00	5,655.80	(1,655.80)
				-
Inspectors Travel	800.00	1,200.00	799.08	400.92
Total Health and Welfare	57,650.00	41,300.00	39,538.63	1,761.37
Other:				
Budget Meetings	512.00	-	-	-
Mapping Project	3,000.00	-	800.00	(800.00)
Employee Appreciation	200.00	-	-	-
Land Split Costs	400.00	400.00	360.00	40.00
Association Dues	2,500.00	3,800.00	3,860.12	(60.12)
Pride Week	3,500.00	7,100.00	7,070.17	29.83
Special Studies	9,500.00	16,200.00	14,324.00	1,876.00
Other Expenses	200.00	300.00	589.10	(289.10)
Total Other	19,812.00	27,800.00	27,003.39	796.61

See accompanying notes to the financial statements.

Blue Lake Township
Statement of Revenues, Expenditures, and Changes in Fund Balance
Actual and Budget - General Fund
For The Year Ended March 31, 2006

	Budget			Favorable (Unfavorable) Variance
	Original	Final	Actual	
Capital Outlay:				
Capital Outlay	\$ 2,000.00	\$ 21,500.00	\$ 17,635.16	3,864.84
Total Capital Outlay	2,000.00	21,500.00	17,635.16	3,864.84
Total Expenditures	307,820.00	306,045.00	274,698.04	31,346.96
Excess Revenues Over (Under) Expenditures	(36,765.00)	(46,733.00)	5,081.98	51,814.98
Total Other Financing Sources (Uses)				
Tax Reverted Land Sales	800.00	1,988.00	68,186.87	66,198.87
Tax Reverted Land Sales Expense	(200.00)	(100.00)	(66,581.94)	(66,481.94)
	600.00	1,888.00	1,604.93	(283.07)
Transfers				
Transfers To Other Funds	(600.00)	(600.00)	(600.00)	-
Total Other Financing Sources (Uses)	-	1,288.00	1,004.93	(283.07)
Excess Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	(36,765.00)	(45,445.00)	6,086.91	51,531.91
Fund Balance - March 31, 2005	489,091.35	489,091.35	489,091.35	-
Fund Balance - March 31, 2006	\$ 452,326.35	\$ 443,646.35	\$ 495,178.26	\$ 51,531.91

See accompanying notes to the financial statements.

Blue Lake Township
Statement of Revenues, Expenditures, and Changes in Fund Balance
Actual and Budget - Fire Equipment Fund
For the Year Ended March 31, 2006

	Budget			Favorable (Unfavorable) Variance
	Original	Final	Actual	
Revenues				
Taxes	\$ 81,781.00	\$ 82,832.00	\$ 86,558.38	\$ 3,726.38
Payments in Lieu of Taxes	889.00	792.00	781.95	(10.05)
Interest Income	1,000.00	2,000.00	4,708.44	2,708.44
Other Revenue		3,000.00	8,500.01	5,500.01
Total Revenues	<u>83,670.00</u>	<u>88,624.00</u>	<u>100,548.78</u>	<u>11,924.78</u>
Expenditures				
Equipment Purchases	<u>10,000.00</u>	<u>30,000.00</u>	<u>34,390.28</u>	<u>(4,390.28)</u>
Total Expenditures	<u>10,000.00</u>	<u>30,000.00</u>	<u>34,390.28</u>	<u>(4,390.28)</u>
Excess Revenues Over (Under) Expenditures	73,670.00	58,624.00	66,158.50	7,534.50
Other Financing Sources (Uses)				
Tax Reverted Land Sales	<u>500.00</u>	<u>1,990.00</u>	<u>3,282.77</u>	<u>1,292.77</u>
	<u>500.00</u>	<u>1,990.00</u>	<u>3,282.77</u>	<u>1,292.77</u>
Excess Revenues Over (Under) Expenditures and Other Sources and Uses	74,170.00	60,614.00	69,441.27	8,827.27
Fund Balance, April 1, 2005	<u>71,066.64</u>	<u>71,066.64</u>	<u>71,066.64</u>	<u>-</u>
Fund Balance, March 31, 2006	<u>\$ 145,236.64</u>	<u>\$ 131,680.64</u>	<u>\$ 140,507.91</u>	<u>\$ 8,827.27</u>

See accompanying notes to the financial statements.

Blue Lake Township
Statement of Revenues, Expenditures, and Changes in Fund Balance
Actual and Budget - Fire Operations Fund
For the Year Ended March 31, 2006

	Budget			Favorable (Unfavorable) Variance
	Original	Final	Actual	
Revenues				
Taxes	\$109,981.00	\$ 110,375.00	\$ 115,416.57	\$ 5,041.57
Payments in Lieu of Taxes	1,200.00	1,056.00	1,042.60	(13.40)
Licenses, Permits and Fees	2,500.00	2,500.00	2,400.00	(100.00)
Interest Income	400.00	1,600.00	1,084.11	(515.89)
Fund Raisers Income	700.00	75.00	75.00	-
Other Revenue	2,000.00	175.00	3,094.45	2,919.45
Total Revenues	116,781.00	115,781.00	123,112.73	7,331.73
Expenditures				
Fire People's Salaries	46,000.00	40,000.00	36,024.91	3,975.09
Payroll Taxes	3,519.00	3,060.00	2,756.02	303.98
Fire People Travel	2,000.00	2,500.00	2,378.00	122.00
Supplies	4,000.00	3,000.00	3,608.45	(608.45)
Insurance	22,000.00	20,500.00	26,109.44	(5,609.44)
Association Dues	350.00	200.00	185.00	15.00
Education	4,000.00	6,500.00	7,631.51	(1,131.51)
Snow Removal	850.00	850.00	650.00	200.00
Communications	6,000.00	6,800.00	6,725.26	74.74
Fire Prevention	-	600.00	545.07	54.93
Heat	5,600.00	5,600.00	6,137.59	(537.59)
Electricity	2,500.00	2,600.00	3,059.20	(459.20)
Building Maintenance	2,000.00	800.00	698.50	101.50
Vehicle Maintenance	9,000.00	9,000.00	7,544.99	1,455.01
Radio Maintenance	1,500.00	1,700.00	1,400.73	299.27
Truck Fuel	3,500.00	3,800.00	3,474.13	325.87
Equipment Maintenance	4,000.00	4,000.00	2,621.33	1,378.67
Health Care	1,000.00	1,500.00	1,453.31	46.69
Other Expenses	500.00	150.00	116.02	33.98
Fund Raising Expenses	600.00	50.00	63.71	(13.71)
	118,919.00	113,210.00	113,183.17	26.83

See accompanying notes to the financial statements.

Blue Lake Township
Statement of Revenues, Expenditures, and Changes in Fund Balance
Actual and Budget - Fire Operations Fund
For the Year Ended March 31, 2006

	Budget			Favorable (Unfavorable) Variance
	Original	Final	Actual	
Excess Revenues Over (Under) Expenditures	(2,138.00)	2,571.00	9,929.56	7,358.56
Other Financing Sources				
Tax Reverted Land Sales	1,000.00	2,700.00	2,407.39	(292.61)
	1,000.00	2,700.00	2,407.39	(292.61)
Excess Revenues Over (Under) Expenditures and Other Sources and Uses	(1,138.00)	5,271.00	12,336.95	7,065.95
Fund Balance, April 1, 2005	14,257.11	14,257.11	14,257.11	-
Fund Balance, March 31, 2006	<u>\$ 13,119.11</u>	<u>\$ 19,528.11</u>	<u>\$ 26,594.06</u>	<u>\$ 7,065.95</u>

See accompanying notes to the financial statements.

Blue Lake Township
Statement of Fiduciary Net Assets
March 31, 2006

Agency Funds	
	<u>Tax Collections</u>
Assets	
Cash	\$ 278,188.38
Total Assets	<u>\$ 278,188.38</u>
Liabilities	
Due To Other Funds	278,188.38
Total Liabilities	<u>\$ 278,188.38</u>

See accompanying notes to the financial statements.

Notes to Financial Statements

Blue Lake Township
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March 31, 2006

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Blue Lake Township
Notes to Financial Statements
March 31, 2006

Note I - Summary of Significant Accounting Policies

The accounting policies of Blue Lake Township, County of Muskegon, State of Michigan conform to generally accepted accounting principles as applicable to governmental units.

A. Reporting Entity

This report includes all the funds of Blue Lake Township. The Township is a general law township governed by a five member board elected by the citizens of the Township. The board consists of the supervisor, clerk, treasurer, and two trustees, all of whom reside in the community. The Township is not included in any other governmental "reporting entity" as defined in Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity." The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether financial statements would be misleading, if data were not included. Accordingly, these financial statements present the Township as the primary government and there are no component units. The Township's board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations , and primary accountability for fiscal matters.

B. Government-Wide and Fund Financial Statements

Government -wide Financial Statements

The statement of net assets and the statement of activities display information about the reporting government as a whole. They include all funds of the reporting unit except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Blue Lake Township
Notes to Financial Statements
March 31, 2006

Note I - Summary of Significant Accounting Policies

B. Government-Wide and Fund Financial Statements (continued)

Government -wide Financial Statements

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The township does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges paid by the recipient of the goods or services offered by the program; 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not included among program revenues are reported as general revenues of the Township, with certain limited exceptions.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, net assets/fund equity, revenues, and expenditure/expenses.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Blue Lake Township
Notes to Financial Statements
March 31, 2006

Note I - Summary of Significant Accounting Policies

B. Government-Wide and Fund Financial Statements (continued)

Fund Financial Statements (continued)

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type and
2. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
3. In addition, any other governmental or proprietary fund that the Township believes is particularly important to financial statement users may be reported as a major fund.

The Township reports the following major governmental funds:

General Fund - accounts for the Township's primary operating activities. It is used to account for all financial resources except those required to accounted for in another fund.

Fire Equipment Fund - accounts for specific revenues that are legally restricted for the acquisition of equipment used in fire department operations.

Fire Operations Fund - accounts for specific revenues that are legally restricted for the operations of the Township's fire department.

Blue Lake Township
Notes to Financial Statements
March 31, 2006

Note I - Summary of Significant Accounting Policies

B. Government-Wide and Fund Financial Statements (continued)

Fund Financial Statements (continued)

The Township reports the following non-major governmental funds:

Special Revenue Funds - used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes:

- Property Tax Administration Fund
- Liquor Fund
- Street Lights Fund
- Cemetery Fund
- Metro Act Fund
- Brown's Pond Special Assessment Fund

Agency funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. The Township operates the following agency fund: Tax Collection Fund

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government -wide Financial Statements

The government-wide statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Blue Lake Township
Notes to Financial Statements
March 31, 2006

Note I - Summary of Significant Accounting Policies

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Government -wide Financial Statements

Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special Assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenue when services are provided. The effect of interfund activity has been eliminated from the government wide financial statements.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences and pension expenditures (if any), which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period in which the Township is entitled to the resources and the amounts are available. Amounts owed to the Township which are not available are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

Blue Lake Township
Notes to Financial Statements
March 31, 2006

Note I - Summary of Significant Accounting Policies

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Fund Financial Statements (continued)

Special assessments are recognized as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred revenues.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments, and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

The Township reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the Township has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Township has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as described previously in this note.

Blue Lake Township
Notes to Financial Statements
March 31, 2006

Note I - Summary of Significant Accounting Policies

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Fund Financial Statements (continued)

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

D. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

Investment of the Township's funds is restricted by state statutes. Available investments are limited to:

Time deposits in any federally insured banks, credit unions, and savings and loan associations.

Local government investment pools.

Bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; and bankers' acceptance of United States banks.

Blue Lake Township
Notes to Financial Statements
March 31, 2006

Note I - Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Commercial paper rated by two standard rating agencies within the three highest classifications, which matures not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund.

The Township's deposits and investments may not be invested in financial institutions located in states other than the State of Michigan.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Land Contracts Receivable

Blue Lake Township has sold tax reverted land located in the Township on land contracts. As of March 31, 2006, the balance due to the Township on the land contracts is in the amount of \$ 72,076.37. The proceeds from land contracts is distributed to the various taxing units based on the current millage rates. Based on prior distributions, the Township's share is approximately 5.2 percent.

Blue Lake Township
Notes to Financial Statements
March 31, 2006

Note I - Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

Capital Assets

Government-wide Financial Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial cost of more than \$ 500.00 for general capital assets and for infrastructure assets, with an estimated useful life in excess of 2 years for general capital assets and 15 years for infrastructure assets. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	10 - 50	years
Fire Department Equipment	5 - 15	
Roads	15 - 50	
Vehicles	5 - 20	
Office Furniture/Equipment	5 - 20	

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Blue Lake Township
Notes to Financial Statements
March 31, 2006

Note I - Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (continued)

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds”. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets.

Equity Classifications

Government - Wide Statements

Equity is classified as net assets and displayed in three components:

Invested in Capital Assets, Net of Related Debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets - consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

Unrestricted Net Assets - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

When both restricted and unrestricted resources are available for use, it is the Township’s policy to use restricted resources first, then unrestricted resources as they are needed.

Blue Lake Township
Notes to Financial Statements
March 31, 2006

Note 1 - Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (continued)

Equity Classifications (continued)

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled “designated”. The balance of unreserved fund balance is labeled “undesignated”, which indicates it is available for appropriation. Proprietary fund equity is classified the same as in the government-wide statements.

Note II - Stewardship, Compliance, and Accountability

A. Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I. C.

A budget has been adopted for all governmental funds of the Township. The budgeted amounts include any amendments made. The Township’s board of trustees may authorize transfers of budgeted amounts within departments. Transfers between functions and changes to the overall budget is approved by board motions. Appropriations lapse at year end. Governmental funds of the Township are adopted at the functional level of expenditure.

The budgetary comparison statement of the major governmental funds is shown as part of the basic financial statements.

Blue Lake Township
Notes to Financial Statements
March 31, 2006

Note II - Stewardship, Compliance, and Accountability

B. Material Budget Violations

Public Act 621 of 1978, Section 18 (1), as amended, requires the adoption of a balanced budget for the general fund. The following major funds had expenditures in excess of appropriations in the following functions:

General Fund

Description	Budget	Actual	Variance
Legislative:			
Trustee Salaries	\$ 3,800.00	\$ 4,224.00	\$ (424.00)
Other Financing Sources:			
Tax Reverted Land Sales - Net	\$ 1,888.00	\$ 1,604.93	\$ (283.07)

Fire Equipment Fund

Description	Budget	Actual	Variance
Expenditures:			
Equipment Purchases	\$30,000.00	\$34,390.28	\$(4,390.28)

Fire Operations Fund

Description	Budget	Actual	Variance
Other Financing Sources:			
Tax Reverted Land Sales - Net	\$ 2,700.00	\$ 2,407.39	\$ (292.61)

Blue Lake Township
Notes to Financial Statements
March 31, 2006

Note III - Deposits and Investments

The Township's deposits are categorized to give an indication at the level of custodial credit risk assumed at year end. Category 1 includes deposits that are insured or collateralized with securities held by the Township or by its agent in the Township's name. Category 2 includes uninsured, collateralized deposits with securities held by the pledging financial institution's trust department or agent in the Township's name. Category 3 includes uninsured and uncollateralized deposits.

	Category			Total	Carrying Amount
	1	2	3		
Local Area Banks	<u>\$300,000.00</u>	<u>\$ -</u>	<u>\$411,681.77</u>	<u>\$711,681.77</u>	<u>\$711,143.91</u>

The carrying amount of the Township's deposits were \$ 711,143.91 as of March 31, 2006. The bank balance was in the amount of \$ 711,681.77, of which \$ 300,000.00 was insured by FDIC Insurance. The difference between the bank balances and the carrying value is due to outstanding checks and/or deposits in transit.

Note IV - Interfund Receivables and Payables

Interfund receivables and payables (referred to as Due From and Due To Other Funds) as of March 31, 2006:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 67,816.75	\$ 4,711.60
Fire Equipment Fund	89,397.56	
Fire Operations Fund	117,608.54	7,568.24
Property Tax Administration Fund	20,587.16	406.97
Liquor Control Fund	-	14.78
Street Lights Fund	1,900.50	-
Winter Tax Collections Fund	-	278,188.38
Automobile Road Special Assessment Fund	-	6,420.54
Totals	<u>\$297,310.51</u>	<u>\$297,310.51</u>

Blue Lake Township
Notes to Financial Statements
March 31, 2006

Note V - Capital Assets

Capital asset activity in the governmental activities for the year ended March 31, 2006 is as follows:

	Balance 3/31/2005	Additions	Deletions	Balance 3/31/2006
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 3,323.00	\$ -	\$ -	\$ 3,323.00
Total Capital Assets Not Being Depreciated	3,323.00			3,323.00
Capital Assets Being Depreciated				
Buildings	286,287.00	17,470.99		303,757.99
Fire Department Equipment	782,019.00	9,045.47		791,064.47
Roads	88,756.42			88,756.42
Vehicles - Police	5,789.00			5,789.00
Office Furniture and Equipment	29,561.67	5,936.41		35,498.08
Total Capital Assets Being Depreciated	1,192,413.09	32,452.87		1,224,865.96
Total Cost of Capital Assets	1,195,736.09	32,452.87	-	1,228,188.96
Accumulated Depreciation				
Buildings	(129,639.73)	(8,723.40)		(138,363.13)
Fire Department Equipment	(275,338.03)	(64,284.64)		(339,622.67)
Roads	(21,494.01)	(4,844.07)		(26,338.08)
Vehicles - Police	(32.16)	(964.83)		(996.99)
Office Furniture and Equipment	(12,988.08)	(4,595.63)		(17,583.71)
Total Accumulated Depreciation	(439,492.01)	(83,412.57)		(522,904.58)
Capital Assets Net of Depreciation	\$ 756,244.08	\$ (50,959.70)	\$ -	\$ 705,284.38

Blue Lake Township
Notes to Financial Statements
March 31, 2006

Note V - Capital Assets

Depreciation expense for the year ended March 31, 2006 is charged to governmental activities as follows:

General Government	\$ 7,760.89
Public Safety	70,807.61
Unallocated	<u>4,844.07</u>
Total Depreciation Expense for the year ended March 31, 2006	<u><u>\$ 83,412.57</u></u>

Note V I- Risk Assessment

Blue Lake Township is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

Note VII - Litigation

Blue Lake Township is party to legal proceedings which are in the preliminary stages, and, it is the intent of the Township to vigorously defend itself. At March 31, 2006, the outcome in this litigation is not determinable; therefore, in accordance with the criteria for accrual under GASB Codification Section C50 and SFAS 5, no amount has been accrued in these financial statements.

Combining Funds Financial Statements

Blue Lake Township
Combining Balance Sheet - Nonmajor Governmental Funds
As of March 31, 2006

	Special Revenue Funds							
						Special Assessment Funds		
	PTAF	Liquor Law	Street Lights	Cemetary	Metro Act	Automobile Road	Brown's Pond	Total
Assets								
Cash in Bank	\$ 5,117.67	\$ 225.40	\$ 2,343.88	\$ 168.02	\$ 5,557.29	\$ 6,420.54	\$ 8,042.01	\$ 27,874.81
Delinquent Taxes Receivable	2,154.02		488.94					2,642.96
Special Assessments Receivable							1,130.28	1,130.28
Due From Other Funds	20,587.16		1,900.50					22,487.66
Total Assets	\$ 27,858.85	\$ 225.40	\$ 4,733.32	\$ 168.02	\$ 5,557.29	\$ 6,420.54	\$ 9,172.29	\$ 54,135.71
Liabilities and Fund Equity								
Liabilities								
Accounts Payable	\$ -	\$ -	\$ -	\$ 9.08	\$ -	\$ -	\$ -	\$ 9.08
Due To Other Funds	406.97	14.78				6,420.54		6,842.29
Deferred Revenue	18,263.08		2,547.48				1,130.28	21,940.84
Total Liabilities	18,670.05	14.78	2,547.48	9.08	-	6,420.54	1,130.28	28,792.21
Fund Equity								
Fund Balance	9,188.80	210.62	2,185.84	158.94	5,557.29	-	8,042.01	25,343.50
Total Fund Equity	9,188.80	210.62	2,185.84	158.94	5,557.29	-	8,042.01	25,343.50
Total Liabilities and Fund Equity	\$ 27,858.85	\$ 225.40	\$ 4,733.32	\$ 168.02	\$ 5,557.29	\$ 6,420.54	\$ 9,172.29	\$ 54,135.71

Blue Lake Township
Combining Statement of Revenue, Expenditures
and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended March 31, 2006

	Special Revenue Funds						Totals
	PTAF	Liquor Law	Street Lights	Cemetery	Metro Act	Brown's Pond	
Revenues							
Property Taxes	\$ 20,323.07		\$ 1,900.50				\$ 22,223.57
Special Assessments						2,350.73	2,350.73
Earnings on Investments	237.36	6.51	52.49	3.41	153.36	450.60	903.73
Intergovernmental Revenue		522.50			2,853.46		3,375.96
Other Income	260.65			414.00			674.65
	<u>20,821.08</u>	<u>529.01</u>	<u>1,952.99</u>	<u>417.41</u>	<u>3,006.82</u>	<u>2,801.33</u>	<u>29,528.64</u>
Expenditures							
Public Safety		513.66					513.66
Public Works			1,788.07	887.98			2,676.05
Health and Welfare	17,425.60						17,425.60
	<u>17,425.60</u>	<u>513.66</u>	<u>1,788.07</u>	<u>887.98</u>	<u>-</u>	<u>-</u>	<u>20,615.31</u>
Excess Revenues Over (Under) Expenditures	3,395.48	15.35	164.92	(470.57)	3,006.82	2,801.33	8,913.33
Other Financing Sources (Uses)							
Transfers In				600.00			600.00
	<u>-</u>	<u>-</u>	<u>-</u>	<u>600.00</u>	<u>-</u>	<u>-</u>	<u>9,513.33</u>
Net Change in Fund Balances	3,395.48	15.35	164.92	129.43	3,006.82	2,801.33	9,513.33
Fund Balances-Beginning of Year	5,793.32	195.27	2,020.92	29.51	2,550.47	5,240.68	15,830.17
Fund Balances - End of Year	<u>\$ 9,188.80</u>	<u>\$ 210.62</u>	<u>\$ 2,185.84</u>	<u>\$ 158.94</u>	<u>\$ 5,557.29</u>	<u>\$ 8,042.01</u>	<u>\$ 25,343.50</u>